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## Russia goes on the offensive ahead of the Eastern Partnership summit in Vilnius

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In recent weeks, Russia has stepped up its efforts to prevent a group of former Soviet republics from tightening their relations with the European Union. The intensification of these efforts comes ahead of the upcoming Eastern Partnership summit, scheduled to take place in Vilnius on 28-29 November. It is expected that during the summit Kiev will sign the EU-Ukraine Association Agreement (AA) initialled in March 2012, including an agreement for a Deep and Comprehensive Free Trade Area (DCFTA). Meanwhile, Moldova, Armenia and Georgia are expected to initial similar documents, effectively accepting their terms and conditions, and paving the way for their official signing in the near future. Moscow has always viewed the relations between the EU and the post-Soviet states as a threat to its own influence in the region. Consequently, any attempts to tighten these relations have been actively opposed by Russia. The EU's Eastern Partnership programme, launched in 2009, has posed a particular challenge to Moscow's policies in the region.. Russia responded by rolling out a Eurasian integration project, which began in 2010 with the establishment of the Customs Union of Russia, Kazakhstan and Belarus, and is expected to culminate in the establishment of the Eurasian Economic Union by 2015. Moscow's overarching objective has been to persuade the countries in the region, especially Ukraine, to adopt an unambiguously pro-Russian geopolitical stance and to join the integration project proposed by the Kremlin. The Russian government hopes that this would permanently place these states in Moscow's sphere of influence and at the same time prevent them from developing closer relations with Brussels. Russia has regularly taken actions aimed at showcasing the benefits of integration with the Customs Union (particularly, by promising preferential pricing of Russian energy resources) and at the same time it has adopted measures highlighting the pitfalls of retaining a pro-European orientation (mainly by imposing occasional trade sanctions). The upcoming summit in Vilnius, during which Ukraine, Moldova, Armenia and Georgia could lock themselves on to a pro-European course, has spurred Moscow to intensify its efforts to torpedo a successful outcome of the Vilnius meeting, with a view to slowing down or even blocking the possibility of closer cooperation between the EU and the former Soviet republics.

### Russia's efforts to date

The most noticeable element in the Kremlin's current offensive has been the decision to **block the imports of Ukrainian goods** across the Russian-Ukrainian border on 14-20 August. After the Russian authorities lifted the blockade, Vladimir

Putin's adviser, Sergei Glazev, warned Ukraine that if Kiev went ahead with the signing of the association agreement, Moscow would be forced to exclude Ukraine from the CIS free trade agreement. Meanwhile, the Eurasian Economic Commission, the governing body of the integration structures developed by Russia, Kazakhstan and Belarus, has

published a draft document which would, as of 1 November 2013, introduce measures designed to protect the Customs Union market against goods from third countries that join other trade blocs (after signing the AA/DCFTA, Ukraine would fall into this category). In addition, Deputy Prime Minister Dmitry Rogozin has forewarned about the possibility of breaking off Russia's links with the Ukrainian aviation industry. Moscow has also revisited the issue of the customs tariffs charged by Ukraine on Russian supplies for the Black Sea Fleet stationed in Ukraine. Russian officials claimed that the tariffs were illegal and the estimated \$200 million collected by Kiev should be added by Moscow to Ukraine's sovereign debt. Furthermore, on 10 September of this year Moscow announced that from 2014 it would no longer use the NITKA military training ground, which last year cost Moscow nearly \$1.4 million. By demanding far-reaching concessions from Kiev, Russia has also effectively blocked any negotiations on a possible cut in the price of Russian gas imported by Ukraine<sup>1</sup>. At the same time, Moscow has been highlighting the ways in which Ukraine could benefit from joining the Eurasian integration process headed by Russia. Sergei Glazev has said for example that once Ukraine is part of the Eurasian structures it would be able to purchase Russian gas at the same price as Belarus, that is, two or three times cheaper than currently. Moreover, Russia would no longer levy export tariffs on oil exported to Ukraine. Both of these concessions, along with trade preferences for Customs Union members, would benefit Ukraine to the tune of \$11-12 billion a year<sup>2</sup>.

Although Russia's efforts have been focused mainly on Ukraine, whose negotiations with

Brussels are the most advanced, Moscow has also been trying to influence the other countries preparing to initial association agreements with the EU. Russia's consumer rights watchdog Rospotrebnadzor, has introduced an **embargo on the import of Moldovan alcohol**, effective from 11 September of this year. The closure of the Russian market to Moldovan wine producers, who export up to 30% of their production to Russia, will cost them an estimated \$5 million a month<sup>3</sup>. Rospotrebnadzor has also started to raise questions about the quality of

### **The most visible and extensive actions taken by Moscow ahead of the Vilnius summit have been directed at Ukraine.**

Moldovan fruit, which might eventually lead to the introduction of an import ban. Earlier, Dmitry Rogozin, Russia's Deputy Prime Minister and Special Representative for Transnistria, warned that Moldova's decision to sign an association agreement with the EU would necessitate a revision of the existing agreements between Russia and Moldova. It could harm Moldovan exports, hamper the supply of Russian gas to the country, and lead to restrictions for Moldovan migrant workers. Rogozin has also said that closer relations between the EU and Moldova would have a negative impact on the Transnistrian settlement. Meanwhile, Transnistria has received \$150 million in aid from Russia (equivalent to the total annual revenue of the republic's budget) to improve welfare in the breakaway republic<sup>4</sup>. Recently, Russia has also increased its presence in Transnistria through

<sup>1</sup> T. Iwański, A. Wierzbowska-Miazga, Russia counteracts Ukraine's moves towards the European Union, *Eastweek*, No. 26 (269), <http://www.osw.waw.pl/en/publikacje/eastweek/2013-08-28/russia-counteracts-ukraine-s-moves-towards-european-union>

<sup>2</sup> It should be noted that Sergei Glazev's declarations seem rather improbable. Fossil fuels are excluded from Customs Union regulations and their cost could be reduced through preferential pricing, which in the long term Russia cannot afford.

<sup>3</sup> According to Moldova's Office for National Statistics, in 2012 Moldovan wine exports to Russia were worth \$61.02 million.

<sup>4</sup> The grant was first announced by Russia in April 2012, and the information was repeated during Dmitry Rogozin's visit to Transnistria in September 2013. During the trip, Rogozin attended the opening of the first public buildings built with Russian money.

networks of experts<sup>5</sup> and investment projects<sup>6</sup>. It is also likely that the growing calls for an independence referendum in Moldova's pro-Russian autonomous region of Gagauzia have been encouraged by the Kremlin<sup>7</sup>.

**In its relations with Armenia, meanwhile, Russia appears to have focused mainly on security issues.** Traditionally, Russia has been a staunch supporter of Armenia in the Armenian-Azerbaijani conflict over Nagorno-Karabakh; more recently, however, Moscow's actions have begun to suggest the possibility of a change in Russia's policy. On 13 August, President Vladimir Putin made his first trip to Baku in seven years. During the visit, media reports publicised the fact that Russia would sell to Azerbaijan weapons worth an estimated \$4 billion. In addition, in July of this year, Gazprom (which controls Armenia's gas company ArmRosGazprom) raised gas tariffs for individual consumers in Armenia by 50%, after which Russia

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suggested that the price hike could be reversed if Armenia agreed to join the Customs Union. Consequently, following his Moscow meeting

<sup>5</sup> Moscow has opened a branch of the Russian Institute for Strategic Studies in Transnistria, and in February 2013 it set up a group of experts, who will support Transnistria in its efforts to adapt its legislation to Russian standards.

<sup>6</sup> During the Third Transnistrian Investment Forum, Russian companies signed contracts for a series of projects in Transnistria, worth an estimated \$40 million. In addition, Russia's ambassador to Moldova Farid Mukhametshin announced that in 2013 the Moscow-sponsored Yerevan Integration would carry out social projects (including infrastructure project) worth over \$60 million.

<sup>7</sup> At this stage the separatist demands are unrealistic; however, raising this issue could contribute to the destabilisation of the situation in the region.

with President Vladimir Putin on 3 September, Armenia's President Serzh Sargsyan announced that Armenia had made the decision to seek accession to the Customs Union of Russia, Belarus and Kazakhstan, and was interested in becoming a founding member of the Eurasian Economic Union<sup>8</sup>.

On the other hand, Russia has shown no activity in its relations with Georgia in the past few weeks. However, in a recent statement Prime Minister Bidzina Ivanishvili did not rule out greater integration with Russia, which might suggest that **Moscow and Tbilisi have been holding talks on the matter behind the scenes**<sup>9</sup>.

### **The significance of the Vilnius summit for Russia**

The prospect that a group of states which have traditionally found themselves in Russia's sphere of influence might now be signing or initialing agreements tightening their cooperation with the European Union is seen by Moscow as a **threat to both its symbolic status and to its real geopolitical position in the region.** First, such a development would deal a serious **blow to Russia's political image.** By adopting the documents drafted for the Vilnius summit, four countries in the region would officially declare a pro-Western orientation in their foreign policy. Russia has always seen the relations between post-Soviet republics and the European Union as being in competition to its own relations with these countries, and has taken measures to counteract Brussels' attempts to promote closer cooperation with the region. Therefore, a decision by the governments of Ukraine, Moldova, Armenia and Georgia to formally confirm their intention to integrate

<sup>8</sup> S. Ananicz, Armenia turns away from the EU, *Eastweek*, No. 27 (270), <http://www.osw.waw.pl/en/publikacje/east-week/2013-09-04/armenia-turns-away-eu>

<sup>9</sup> Cf. Бидзина Иванишвили присматривается к Евразийскому союзу, *Kommersant*, 10.09.2013, <http://www.kommersant.ru/doc/2275559>

with the EU would be a clear indication that this policy has failed. It would also suggest that Moscow was losing out to Brussels in what the Russian public sees as a rivalry over the geopolitical orientation of these countries. Consequently, such a development would mean, at least in symbolic terms, the shrinking of the sphere of Russian predominant influence in the region and would undermine Russia's image as a power capable of controlling the post-Soviet region. This would weaken Russia's international standing not only in its relations with other CIS member states but also with the West. Up till now, Russia has been able to invoke the argument of its alleged "natural" patronage over the region to persuade the West that it should recognise Moscow's right to participate in all decisions concerning this part of the world.

Russia perceives **adoption of a pro-European foreign policy orientation by post-Soviet states as an identity-defining decision, tantamount to a choice of a value system, economic regime and governance model alternative to those offered by Russia.** That is why the symbolism of the Vilnius summit is so important for Russia, irrespective of whether the signatory states deliver on their commitments and implement real internal reforms. The symbolic aspect is particularly significant in the case of Ukraine, because some segments of Russian society (both within the elite and among ordinary people) regard Ukraine as a historical part of Russia and Ukrainians as a local subgroup of a Russian nation. This belief seems to be shared by President Putin, as he demonstrated in his remarks on Ukraine's prospects for EU accession<sup>10</sup>. Therefore, Kiev's choice not to adopt a pro-Russian orientation would constitute a policy defeat for the Kremlin, that might have negative reverberations in the Russian domestic political arena as well.

**The signing of the association agreements would also be a heavy blow to the Eurasian**

<sup>10</sup> Cf. Путин: Россия и Украина представляют один народ, *Rossijskaja Gazieta*, 4.09.2013, <http://www.rg.ru/2013/09/04/ukraina-anons.html>

**integration project, which the Russian government sees as its top priority.** By building the Eurasian Economic Union (which began with the establishment of the Customs Union) Moscow hoped to maintain its control over the post-Soviet region by strengthening and formalising its economic ties with the republics<sup>11</sup>. Their decision to enter into a DCFTA with the EU, however, would prevent them from joining

**The signing of the association agreements would likely spell the collapse of the Eurasian integration project, which the Russian government sees as its top priority.**

the Customs Union of Russia, Kazakhstan and Belarus. Particularly damaging would be the exclusion of Ukraine from the group of potential participants in this project. Without Ukraine, which is the second largest economy and the second largest market in the region, the Customs Union would lose much of its appeal to prospective members and external partners. It is highly probable that without Ukraine the Customs Union might gradually die.

The association of the former Soviet republics with the European Union would pose a real threat to Russia's influence in the region. This is because **the association agreements require the signatory states to align their legal and economic systems with EU standards.** The agreements contain over half of the requirements of the EU's *acquis communautaire*. Their implementation would therefore begin to differentiate Ukraine, Moldova, Armenia and Georgia from the rest of the region, which continues to follow Soviet-style rules of governance. Consequently, **Russia would find it**

<sup>11</sup> On 1 January 2012, Russia, Kazakhstan and Belarus launched the Common Economic Space, which is seen as a transition structure between the Customs Union and the Eurasian Economic Union. Any state interested in joining the Eurasian integration process would have to first become a member of the Customs Union.

much more difficult to influence the states associated with the EU, as it could no longer take advantage of the current lack of transparency in decision-making that plagues former Soviet republics. Similarly, Russian businesses would also have to start competing on an equal footing against international players, as they would no longer be able to rely on their familiarity with the post-Soviet economic system, or benefit from numerous informal ties and networks.

In addition, Russia has also raised concerns about the fact that **following the abolition of customs duties in trade with the EU, the new signatories to the DCFTA would be flooded with cheaper goods.** This could potentially reduce the attractiveness of some Russian goods,

**The primary objective of the current offensive is to prevent or at least weaken the success of the Vilnius summit.**

which until now could compete with EU goods thanks to their low price. However, given that the trade with the potential four new signatories to the DCFTA accounts for just 5.7% of Russia's total foreign trade (of this Ukraine's share amounts to 5.4%), this is not a particularly serious problem. Furthermore, Moscow fears that manufacturers in the states entering the DCFTAs, subject to growing competition from the EU in their home markets, will intensify their efforts to export to the Russian market. Moscow has also voiced concern over the increased risk of an illegal influx of European goods to the Russian market, especially from Ukraine, which together with Russia is a part of the CIS free trade zone. Hence, **Russia would need to make costly improvements in the efficiency of its customs posts** at its borders with the new signatories to the DCFTA.

## Russia's possible future actions

Russia sees the prospect of a formal strengthening of cooperation between the EU and four of the former Soviet republics as a threat to its policy towards the CIS. Therefore, the primary objective of its current offensive is to prevent or at least weaken the success of the Vilnius summit. In the run-up to the November summit **we can expect Russia to continue to put pressure on the countries in the region** in order to block the signing of the association agreement by Ukraine and the initialling of association agreements by Moldova and Georgia. In the case of Armenia, the initialling of an AA/DCFTA has been, most likely, made impossible by Yerevan's declaration of its accession to the Customs Union, and so **Moscow no longer needs to pressure Armenia.** In order to influence the geopolitical choices of the states in the region, **Russia will continue to rely on its position as a major trading partner** for Ukraine, Moldova and Armenia. Access to the Russian market is of strategic importance for these countries' economies, especially in the case of Ukraine, where many large industrial plants still form a part of production chains inherited from the Soviet Union, which means that some of the production process takes place in Russia. Until the Vilnius summit, Russia is likely to keep in place its existing restrictions on trade with Ukraine and Moldova<sup>12</sup>. Moscow may also decide to impose an embargo on Moldovan fruit and vegetables. It is likely that **Russia may use energy cooperation projects as an additional instrument of pressure.** The Moldovan and Armenian energy sectors, for example, are almost entirely dependent on Russian gas<sup>13</sup>. Similarly, despite

<sup>12</sup> Currently, there is an embargo on the import of the confectionery products of the Ukrainian company Roshen, and duty has been reintroduced on the imports of pipes produced by Ukraine's Interpipe Group. There is also an embargo on the import of Moldovan alcohol.

<sup>13</sup> Moldova imports only some of its electricity from Ukraine.

the recent attempts to diversify its energy supplies, Ukraine remains highly reliant on Russian fossil fuels. Moscow could instrumentalise negotiations of a new gas contract for Moldova for 2014<sup>14</sup>, its negotiations with Armenia and Ukraine on the pricing of Russian natural gas, as well as its talks with Kiev on the interpretation of the 'take or pay' clause in the current Russian-Ukrainian contract, and the potential debt of the Ukrainian state if the clause were to be recognised as binding. Another important tool of pressure that can be used by Moscow is **access to the Russian labour market** (including Russia's implicit tolerance of illegal migrant workers). Labour migration is particularly relevant to Russia's relations with Moldova and Armenia – in 2012, migrant workers from these two countries sent back remittances estimated at 15% and 10% of their countries' GDP respectively<sup>15</sup>. The Ukrainians, meanwhile, constitute the second largest group of immigrants in Russia. Immigration officials estimate their numbers at 1.3 million, although unofficial estimates put the figure at 2.5-3 million.

**Issues related to the security and stability of the region are also likely to be used by Moscow as means of pressure.** The most likely issue to be exploited is the conflict in Transnistria. In June 2013, Yuri Shevchuk, the leader of the breakaway Transnistrian republic, signed a decree delineating the Transnistrian borders with the Republic of Moldova, under which a number of Moldovan villages have been placed within Transnistria. Attempts to enforce and demarcate the new border could lead to a serious conflict with Chisinau. Furthermore, Moscow

may engage in activities aimed at destabilising the region by offering its support to pro-Russian and anti-EU groups in Moldova's Gagauzia, Eastern Ukraine, and Crimea. Georgian break-away republics of Abkhazia and South Ossetia might also be used in order to destabilise the situation on the border with Georgia. Recently, the Georgian authorities have warned that the Russian military have been moving the fence separating South Ossetia from Georgia deeper into Georgian territory.

It can be assumed that **Russia also hopes that internal problems in the countries aspiring to sign association agreements with the EU**

**As a propaganda counterweight to the Vilnius summit, Moscow will try to highlight the successes of Eurasian integration.**

**may stall the process as well.** Among the obstacles for the signing or initialling of the agreements at the Vilnius summit could be Kiev's failure to resolve the impasse over Yulia Tymoshenko, or a potential lawsuit filed against Mikheil Saakashvili after Georgia's presidential elections scheduled for October.

Nonetheless, even if the association agreements are not signed or initialled at the Vilnius summit, Russia is unlikely to end its offensive. **Moscow will certainly seek to permanently block the development of closer ties between the EU and Ukraine, Moldova, Armenia and Georgia.** Moreover, it appears that if Russia's current attempts to pressure the former Soviet republics into compliance prove successful, Moscow will continue its efforts to coerce the countries of the region to join its Eurasian integration project. Russia may also want to complete the takeover of Ukraine's gas pipelines by establishing a gas consortium or purchasing a controlling stake in the network.

Equally, if the countries in question were to resist the pressure of the Russian state and decide

<sup>14</sup> According to a statement released by Moldova's Deputy Prime Minister and Energy Minister Valeriu Lazar after his return from Moscow on September 23, the current contract for the supply of Russian gas is to be extended until 2015. The relevant documents, however, have not yet been signed.

<sup>15</sup> Moldova has already reported the first signs of tighter controls at the Russian-Moldovan border, which in many cases results in Moldovan citizens being refused entry to Russia. There have also been reports of Moldovan migrant workers being deported from Russia.

to press ahead with establishing closer ties with the EU, the rivalry over the region's geopolitical orientation would continue. In such case, **Russia would seek to block the ratification of the association agreements in Ukraine and in those EU member states where it has sufficient influence, such as Greece and Cyprus. Moscow would also make every effort to persuade Moldova, Georgia, and possibly Armenia, not to sign the agreements they have initialled in Vilnius.**

Either way, one can assume that at the **next meeting of the leaders of the member states of the Customs Union and the Common Economic Space**, which routinely should be held in early December, **Moscow will try to showcase the successes of Eurasian integration.** As previously announced, during the meeting Ukraine was (expected to sign a series of documents formalising its observer status at the

Eurasian Economic Commission<sup>16</sup>. Although granting Kiev such status would have little or no real significance, Russia may want to use this fact to reduce the impact of Ukraine's decision to sign an AA/DCFTA, or alternatively, to stress the failure of Europe's integration policy if Kiev should choose not to sign the agreement at the Vilnius summit. It is also likely that at the next summit Russia will want to capitalise on Armenia's declaration of its intention to join the Customs Union, by awarding Yerevan official observer or candidate status. Finally, it is possible that Russia will try to tighten formal relations between the Customs Union and Kyrgyzstan, after Bishkek expressed interest in joining the body in October 2011.

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<sup>16</sup> A memorandum of cooperation was signed on 31 May 2013. See also T. Iwański, Sz. Kardaś, Ukraine closer to the Customs Union. *Eastweek*, No. 19 (262), <https://www.osw.waw.pl/en/publikacje/eastweek/2013-06-05/ukraine-closer-to-customs-union>

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